

ARC OF DESOTO
(a nonprofit corporation)
Mansfield, Louisiana

FINANCIAL STATEMENTS
June 30, 2006 and 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/10/07

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CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

To the Board of Directors
The Arc of DeSoto
Mansfield, LA 71052

I have audited the accompanying statements of financial position of The Arc of DeSoto (a nonprofit corporation) as of June 30, 2006 and 2005, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the entity's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of DeSoto at June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 27, 2006, on my consideration of The Arc of DeSoto's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of any audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Deborah D. Dees, CPA

Mansfield, Louisiana

November 27, 2006

ARC OF DESOTO
Statements of Financial Position
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets		
Cash	\$ 112,819	\$ 110,059
Accounts Receivable	29,206	26,934
Total current assets	<u>142,025</u>	<u>136,993</u>
Property, Plant & Equipment		
Buildings	282,072	282,072
Land	8,000	8,000
Furniture and fixtures	3,856	3,856
Machinery and equipment	25,888	25,888
Vehicles	173,211	173,211
Sheltered workshop equipment	<u>32,692</u>	<u>32,692</u>
Total property, plant & equipment	525,699	525,699
Less: Accumulated Depreciation	<u>(242,028)</u>	<u>(203,208)</u>
Net property and equipment	<u>283,671</u>	<u>322,491</u>
Other Assets		
Prepaid Insurance	11,088	-
Deposit-Utilities	50	50
Total other assets	<u>11,138</u>	<u>50</u>
TOTAL ASSETS	<u>\$ 436,834</u>	<u>\$ 459,534</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 4,718	\$ 4,773
Payroll taxes payable	1,144	4,123
Total current liabilities	<u>5,862</u>	<u>8,896</u>
Net Assets		
Unrestricted:		
Board operation fund	4,568	6,522
Fixed assets	283,671	322,491
Designated for programs	<u>142,733</u>	<u>121,625</u>
Total unrestricted net assets	<u>430,972</u>	<u>450,638</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 436,834</u>	<u>\$ 459,534</u>

The accompanying notes are an integral part of part of the financial statements.

ARC OF DESOTO
Statements of Activities
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Unrestricted Net Assets		
Revenues and other support:		
Contracts with governmental agencies	\$ 242,300	\$ 241,059
Community Homes - contractual	39,284	40,992
Medicaid Income	16,859	17,058
United Way	11,679	5,498
Membership dues	2,904	10,032
Interest and dividend income	789	347
DOTD van grant	-	29,191
Service income - sheltered workshop	47,834	48,437
Miscellaneous	<u>1,011</u>	<u>417</u>
Total Increase in net assets	<u>362,760</u>	<u>393,031</u>
Expenses		
Program Services		
Adult habilitation services	338,965	345,952
Sheltered workshop	42,311	39,234
Other programs	<u>1,150</u>	<u>1,401</u>
Total decrease in net assets	<u>382,426</u>	<u>386,587</u>
Net increase (decrease) in unrestricted net assets	(19,666)	6,444
Unrestricted net assets, beginning of year	<u>450,638</u>	<u>444,194</u>
Unrestricted net assets, end of year	<u>\$ 430,972</u>	<u>\$ 450,638</u>

The accompanying notes are an integral part of the financial statements.

ARC OF DESOTO
Statement of Functional Expenses
For the year ended June 30, 2006

	Adult Habilitation Services	Sheltered Workshop	Other Programs
Advertising	\$ 25	\$	\$
Bank Charges	91		
Client Expense		2,005	
Depreciation	37,164	1,657	
Dues & Subscriptions	5		
Employee Benefits	1,350		
Fuel-Auto	28,753		
Insurance	53,572		
Licenses & Permits	85		
Maintenance- vehicles	9,307		
Office Expenses/Supplies	8,413		
Payroll Tax Expense	12,942		
Professional Fees	9,817		
Repairs/Maintenance	1,402	401	
Salaries and wages	159,102	23,194	
Security	1,229		
Staff Training	1,055		
Supplies		15,054	
Telephone	4,005		
Travel	777		
Utilities	9,871		
Other Expenses			1,150
Total program services expenses	<u>\$ 338,965</u>	<u>\$ 42,311</u>	<u>\$ 1,150</u>

The accompanying notes are an integral part of the financial statements.

ARC OF DESOTO
Statement of Functional Expenses
For the year ended June 30, 2005

	Adult Habilitation Services	Sheltered Workshop	Other Programs
Advertising	\$ 85	\$	\$
Bank Charges	242		
Client Expense	46	2,521	
Depreciation	38,899	2,231	
Drug Testing	27		
Dues & Subscriptions	81		
Employee Benefits	2,204		
Fuel-Auto	21,845		
Insurance	57,888		
Licenses & Permits	84		
Maintenance- vehicles	7,795		
Office Expense/Supplies	8,393		
Payroll Tax Expense	14,121		
Professional Fees	9,867		
Repairs/Maintenance	714	733	
Salaries and wages	166,378	20,398	
Security	1,771		
Staff Training	1,250		
Supplies		13,351	
Telephone	4,081		
Travel	545		
Utilities	9,636		
Other expense			1,401
Total program services expenses	<u>\$ 345,952</u>	<u>\$ 39,234</u>	<u>\$ 1,401</u>

The accompanying notes are an integral part of the financial statements.

ARC OF DESOTO
Statements of Cash Flows
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Unrestricted Net Assets	\$ (18,666)	\$ 6,444
Adjustments to Reconcile Net Income(Loss) to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	38,821	41,130
DOTD Noncash Grant		(28,191)
Losses (Gains) on Sales of Fixed Assets		
Decrease (Increase) in Operating Assets:		
Accounts Receivable	(2,272)	4,324
Prepays	(11,088)	5,015
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(55)	1,462
Payroll Tax Liabilities	(2,980)	(398)
Total Adjustments	<u>22,426</u>	<u>22,342</u>
Net Cash Provided By (Used In) Operating Activities	2,760	28,786
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets		(13,241)
Net Cash Provided By (Used In) Investing Activities		(13,241)
NET INCREASE (DECREASE) IN CASH	2,760	15,545
CASH AT BEGINNING OF PERIOD	<u>110,059</u>	<u>94,514</u>
CASH AT END OF PERIOD	<u>\$ 112,819</u>	<u>\$ 110,059</u>

The accompanying notes are an integral part of the financial statements.

ARC OF DESOTO
Notes to Financial Statements
June 30, 2006 and 2005

Note A. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Arc of DeSoto is a nonprofit corporation under the laws of the State of Louisiana. The Arc of DeSoto (The Arc) was established to provide habilitation services to developmental disabled persons ages 22 years and older within DeSoto Parish, Louisiana. These activities are reported under the Adult habilitation services program. The Arc also provides vocational services reported as the Sheltered workshop program in which the clients can work and earn wages for such things as lawn care, janitorial services, cooking and ironing. The organization is supported primarily through a Louisiana Department of Health and Hospitals contract. Approximately 67% and 61% of the Arc's support for the years ended June 30, 2006 and 2005, respectively, came from this state department.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, The Arc is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Arc has not received any revenues or contributions with restrictions that would result in permanently restricted net assets. SFAS No. 117 also requires a not-for-profit organization to provide information about expenses by functional classifications. The Statement of Activities presents the expenses charged directly to program or supporting services based on specific identification.

Cash and/or Cash Equivalents

For the purposes of the statement of cash flows, The Arc of DeSoto considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying value of cash approximates fair-value because of the liquidity of those financial instruments. The Federal Deposit Insurance Corporation as of June 30, 2006 insures the checking accounts at each institution. The Board has a checking account for contributions that are used solely for client expenses that are not allowed under the state's contract.

Property and Equipment

Property and equipment are carried at cost or if donated, at the approximate fair value at the date of donation. The State of Louisiana has a reversionary interest in property purchased with state funds. Its disposition as well as the ownership of any proceeds therefore is subject to state regulations.

The Arc of DeSoto follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is computed using the straight-line method over the estimated useful life of each asset generally as follows:

Buildings and improvements	31.5 years
Furniture and equipment	7 years
Vans	5 years

The net fixed asset balance has been recorded as a separate component in unrestricted net assets. Depreciation expense for June 30, 2006 and 2005 is \$38,821 and \$41,130, respectively.

ARC OF DESOTO
Notes to Financial Statements
June 30, 2006 and 2005

Income Taxes

The Arc of DeSoto is a nonprofit corporation and is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes has been made in these financial statements. However, income from certain activities not directly related to the tax-exempt purposes of the Association is subject to taxation as unrelated business income. The Arc of DeSoto had no such income for this audit period.

Revenue and Support

The Arc of DeSoto receives its contract support primarily from the State of Louisiana Department of Health and Hospitals and the Office for Citizens with Developmental Disabilities. Contractual revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned. The Arc of DeSoto receives other contractual revenue from local community homes for the services provided to their clients.

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Arc had no temporarily or permanently restricted net assets for year ended June 30, 2006.

Retirement Obligations

The employees of The Arc of DeSoto participate in a 401(k) thrift plan. The Arc will match 50% of the first 6% of salary contributed by the employee, and the employee is fully vested in five years. The Arc of DeSoto's contributions for 2006 and 2005 were \$1,350 and \$2,204, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences

Compensated absences are not recorded in the financial statements because all employees take the same week vacation in June and 10-day vacation in December. Leave is accumulated but if not used, is only paid if the employee is terminated; therefore the amount cannot be reasonably estimated.

Note B. Accounts Receivable

The accounts receivable consists of the following for the years ended June 30:

	<u>2006</u>	<u>2005</u>
OCDD Contract	\$ 18,819	\$ 18,876
Community Homes	3,416	3,416
Medicaid Waivers	515	2,033
United Way of Northwest LA	6,456	2,609
	<u>\$ 29,206</u>	<u>\$ 26,934</u>

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
The Arc of DeSoto
Mansfield, LA 71052

I have audited the financial statements of The Arc of DeSoto (a nonprofit corporation) as of and for the years ended June 30, 2006 and 2005, and have issued my report thereon dated November 27, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Arc of DeSoto's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered The Arc of DeSoto's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial reporting and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, others within the organization, the Legislative Auditor, and the cognizant agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Deborah D. Dees, CPA

Mansfield, Louisiana
November 27, 2006

ARC OF DESOTO
Schedule of Finding and Questioned Costs
For the Year ended June 30, 2006

SUMMARY OF AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT:

I have audited the statements of financial position of ARC of DeSoto as of and for the years ended June 30, 2006 and 2005, and the related statements of activities, functional expenses and cash flows and have issued my report thereon dated November 27, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the above referenced financial statements as of June 30, 2006 and 2005 resulted in an unqualified opinion.

REPORT ON INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS:

Compliance

Compliance Material to Financial Statements ☐ Yes ☒ No

Internal Control

Material Weaknesses ☐ Yes ☒ No
Other Conditions ☐ Yes ☒ No

FEDERAL AWARDS

Not applicable

FINANCIAL STATEMENT FINDINGS

None.

ARC OF DESOTO
Summary Schedule of Prior Audit Findings
For the Year ended June 30, 2006

Prior year findings:

There were no findings for the year ended June 30, 2005 to be reported.